

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00

INRE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02

TRSE-00 LAB-04 EPG-02 SIL-01 AGRE-00 OMB-01 STR-04

XMB-02 SS-15 NSC-05 L-03 /108 W

-----011895 201411Z /43

O R 201347Z JUN 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 9161

INFO AMEMBASSY PARIS IMMEDIATE

CPFHBS/AMEMBASSY BRUSSELS 1452

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION USBERLIN

USMISSION NATO

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTSMN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

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USEEC, USOECD IMMEDIATE ALSO FOR EMBASSY

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/A

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TAGS: ECON, EFIN, GW

SUBJECT: CAPACITY UTILIZATION; BUSINESS CLIMATE

REF: BONN 9843

SUMMARY: THE DECLINE IN THE INDUSTRIAL CAPACITY

UTILIZATION AS MEASURED BY IFO IS NOT OF THE MAGNITUDE

ORIGINALLY THOUGHT AND REPORTED REFTEL. THE SEASONALLY ADJUSTED DROP BETWEEN JANUARY AND APRIL WAS EITHER 0.6 OR 1.6 POINTS (DEPENDING ON WHICH SERIES IS USED) AND NOT 3.0 POINTS AS FIRST SUGGESTED BY UNIYEAR IFMY PUBLICATIONS. THE IFO "BUSINESS CLIMATE" INDEX ROSE SLIGHTLY IN MAY, ACCORDING TO PRELIMINARY CONFIDENTIAL DATA, AFTER FIVE MONTHS OF DECLINE. END SUMMARY.

1. THE IFO INSTITUTE IN MUNICH HAS SEVERAL MEASURES OF CAPACITY UTILIZATION WHICH ARE NOT ALWAYS CLEARLY IDENTIFIED IN THEIR PUBLICATIONS. AS AN EXAMPLE, IN THE TEXT OF THE MAY 1977 EDITION OF IFO'S "WIRTSCHAFTS-KONJUNKTUR" A CAPACITY UTILIZATION FIGURE OF 80 PERCENT IS CITED, WHICH WE REPORTED IN REFTELGB. HOWEVER, WE HAVE JUST FOUND OUT THAT THIS FIGURE IS NOT CONSISTENT WITH THEIR REGULARLY PUBLISHED CAPACITY UTILIZATION SERIES. THOUGH NOT SPECIFIED IN THE ARTICLE'S TEXT, WE HAVE SUBSEQUENTLY DETERMINED THAT IT WAS NOT SEASONALLY ADJUSTED (AS IS THEIR NORMALLY PUBLISHED SERIES) AND INCORPORATES A DIFFERENT SELECTION OF INDUSTRIES THAN THEIR REGULARLY PUBLISHED SERIES. IFO INFORMS US PRIVATELY THAT THE QUESTIONABLE 80 PERCENT FIGURE BELONGS TO THE FOLLOWING UNPUBLISHED SERIES:

MANUFACTURING INDUSTRY CAPACITY UTILIZATION
NON-SEASONALLY ADJUSTED
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LM(EXCLUDING CHEMICAL, FOOD AND STIMULANTS INDUSTRIES)

YEAR	JAN	APR	JUL	OCT
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1975	74.9	75.4	74.2	76.9
1976	76.6	80.2	79.8	81.2
1977	79.9	80.3		

IN THE INTERPRETATION OF THE FOREGOING DATA, IFO FINDS IT DISCOURAGING TO NOTE THAT THE APRIL 1977 UTILIZATION IS NO HIGHER THAN ONE YEAR EARLIER.

2. IFO ALSO HAS ANOTHER SERIES WHICH IS NORMALLY PUBLISHED IN THEIR "SCHNELLDIENST" WEEKLY (MOST RECENTLY IN THE MARCH 4, 1977 EDITION), IS SEASONALLY ADJUSTED, AND HAS A LONGER LIST OF EXCLUDED INDUSTRIES. WHILE THE APRIL FIGURE IN THIS SERIES IS NOT YET PUBLISHED, IFO TELLS US THAT IT IS 82.9, DOWN 0.6 POINTS FROM JANUARY. WHILE IT IS NOT 3 POINTS DOWN AS REPORTED IN REFTEL, IT IS STILL A DECLINE AT A TIME WHEN AN INCREASE WOULD BE DESIRED. FOR CLARITY'S SAKE, WE REPEAT THIS SERIES:

MANUFACTURING INDUSTRY CAPACITY UTILIZATION
SEASONALLY ADJUSTED
(EXCLUDING IRON PRODUCING, IRON, STEEL AND
CASTING PLANTS, THE NON-FERROUS METAL AND
CHEMICAL INDUSTRIES, MINERAL OIL PROCESSING,
AS WELL AS THE FOOD AND STIMULANTS INDUSTRY)

YEAR	JAN	APR	JUL	OCT
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TRSE-00 LAB-04 EPG-02 SIL-01 AGRE-00 OMB-01 STR-04
XMB-02 SS-15 NSC-05 L-03 /108 W
-----011916 201411Z /43

O R 201347Z JUN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 9162
INFO AMEMBASSY PARIS IMMEDIATE
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION USBERLIN
USMISSION NATO
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

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1975	77.3	76.2	76.3	78.4
1976	80.2	82.2	81.8	82.6

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1977	83.5	82.9
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THE COMMENTS THAT WE MADE IN THE REFTEL RE MAXIMUM AND AVERAGE RECORDED UTILIZATION RATES OF 92.1 AND 87.6 IN THIS SERIES ARE STILL VALID AS IS THE CONCLUSION THAT LOW CAPACITY UTILIZATION IS A RETARDANT TO INVESTMENT PROPENSITY WHEN VIEWED MACROECONOMICALLY.

3. ANOTHER CAPACITY UTILIZATION SERIES OF IFO, WHICH IS NOT PUBLISHED BUT WHICH WE FIRST REPORTED ON IN BONN'S 03973 (TABLE II) IS PERHAPS THE BEST INDICATOR OF ALL THEIR VARIOUS SERIES. IT IS SEASONALLY ADJUSTED, AND IT HAS THE BROADEST COVERAGE. IN IT, THERE WAS A 1.6 POINT DROP IN APRIL FROM THE JANUARY LEVEL, AN EVEN MORE DISCOURAGING SIGN THAN SUGGESTED BY THE DATA IN PARAGRAPH TWO ABOVE.

MANUFACTURING INDUSTRY CAPACITY UTILIZATION
SEASONALLY ADJUSTED
(EXCLUDING CHEMICAL, FOOD AND STIMULANTS INDUSTRIES)

YEAR	JAN	APR	JUL	OCT
---	----	----	----	----
1975	76.2	74.6	74.4	76.1
1976	77.9	79.4	80.0	80.4
1977	81.2	79.6		

4. IFO HAS AN ENCOURAGING INDICATOR IN THEIR MOST RECENT "BUSINESS CLIMATE" FINDINGS. AFTER FIVE SUCCESSIVE MONTHS OF DECLINE, THIS INDEX ROSE MODERATELY IN MAY. THE DATA IS NOT YET PUBLISHED AND MUST BE CONSIDERED PRELIMINARY AND TREATED CONFIDENTIALLY,
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OUR IFO SOURCE SAID. THE REVISED DATA FOR 1977 IS AS FOLLOWS:

IFO BUSINESS CLIMATE INDEX

JAN	189.9
FEB	185.5
MAR	183.8
APR	180.0
MAY	181.6

THE HIGH POINT IN THIS SERIES WAS REACHED LAST SUMMER
WHEN IT WAS 198.7.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, INDUSTRIAL PRODUCTION, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770219-0615
Format: TEL
From: BONN
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19770641/aaaabjri.tel
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Litigation History:
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Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 BONN 9843
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2100288
Secure: OPEN
Status: NATIVE
Subject: CAPACITY UTILIZATION; BUSINESS CLIMATE
TAGS: ECON, EFIN, GE
To: STATE USEEC MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/9d5c827a-c288-dd11-92da-001cc4696bcc
Review Markings:
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